

[Translation]

Consolidated Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2018
[U.S. GAAP]

January 31, 2018

Listed Company: Wacoal Holdings Corp.
Code Number: 3591 (URL: <http://www.wacoalholdings.jp/>)
Representative: Position: President and Representative Director
Name: Yoshikata Tsukamoto
For Inquiries: Position: General Manager of Corporate Planning
Name: Akira Miyagi

Stock Exchange: Tokyo

Tel: +81 (075) 682-1010

Scheduled quarterly report submission date: February 9, 2018
Scheduled dividend payment start date: -
Supplementary materials regarding quarterly business results: None
Explanatory meeting regarding quarterly business results: None

(Amounts less than 1 million yen have been rounded)

1. Third Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 – December 31, 2017)

(1) Consolidated Business Results

(% indicates increase (decrease) from the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Income Before Income Taxes and Equity in Net Income of Affiliated Companies		Net Income Attributable to Wacoal Holdings Corp.	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Third Quarter ended December 31, 2017	148,416	(0.4)	13,056	16.8	14,833	(10.3)	9,868	(18.3)
Third Quarter ended December 31, 2016	149,019	(3.2)	11,175	(12.0)	16,543	16.4	12,085	20.5

(Note) Quarterly comprehensive income: 19,849 million yen (101.8%) for the third quarter ended December 31, 2017
9,834 million yen ((3.0)%) for the third quarter ended December 31, 2016

	Net Income Attributable to Wacoal Holdings Corp. Per Share	Diluted Net Income Attributable to Wacoal Holdings Corp. Per Share
	Yen	Yen
Third Quarter ended December 31, 2017	144.88	144.40
Third Quarter ended December 31, 2016	173.46	172.94

(Note) We have conducted a share consolidation of common stock of Wacoal Holdings Corp. (“the Company”) pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, the “net income attributable to Wacoal Holdings Corp. per share” and the “diluted net income attributable to Wacoal Holdings Corp. per share” have been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Condition

	Total Assets	Total Equity (Net Assets)	Total Shareholders' Equity	Total Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2017	301,982	240,881	235,975	78.1	3,503.09
As of the end of Fiscal Year (March 31, 2017)	294,958	232,482	227,568	77.2	3,317.05

(Note) We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares was consolidated into one (1) share effective as of October 1, 2017. Accordingly, the “shareholders’ equity per share” has been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

2. Status of Dividends

	Annual Dividend				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2017	–	–	–	36.00	36.00
Fiscal Year Ending March 31, 2018	–	18.00	–		
Fiscal Year Ending March 31, 2018 (Estimates)				36.00	–

(Note) Revision of estimated dividends announced during the latest quarter: No

We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of the year-end cash dividend per share for the fiscal year ending March 31, 2018 (estimates) mentioned above and the total annual dividend amount is indicated as “–.” The year-end cash dividend per share and total annual dividend amount per share for the fiscal year ending March 31, 2018 (estimates), without taking into consideration of the share consolidation, are 18 yen and 36 yen, respectively. For details, please see “Cautionary Statement regarding Forecast of Business Results.”

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(% indicates increase (decrease) from the previous fiscal year)

	Net Sales		Operating Income		Income Before Income Taxes and Equity in Net Income of Affiliated Companies		Net Income Attributable to Wacoal Holdings Corp.		Net Income Attributable to Wacoal Holdings Corp. Per Share	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen	
Annual	200,000	2.1	11,500	3.9	12,500	(24.6)	9,000	(28.1)	132.13	

(Note) Revision of forecast of consolidated business results announced during the latest quarter: No

We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares was consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of net income per share. For details, please see “Cautionary Statement regarding Forecast of Business Results.”

Notes

- (1) Changes in significant subsidiaries in the consolidated cumulative third quarter of the current fiscal year (i.e. changes in specified subsidiaries (*tokutei kogaisha*) which involve change in scope of consolidation): None
- (2) Application of simplified accounting methods and specific accounting methods: None
- (3) Changes in accounting principles:
- (i) Changes due to modifications in accounting standards, etc.: Yes
- (ii) Changes other than (i) above: None
- (Note) For details, please see “2. Consolidated Quarterly Financial Statements and Accompanying Notes (5) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policy).”
- (4) Number of Issued Shares (Common Stock)

	Third Quarter ended December 31, 2017	Fiscal Year ended March 31, 2017
(i) Number of issued shares (including treasury stock) as of the end of:	71,689,042 shares	71,689,042 shares
(ii) Number of shares held as treasury stock as of the end of:	4,327,028 shares	3,083,605 shares
(iii) Average number of shares during consolidated third quarter (third quarter ended December 31):	68,113,218 shares	69,670,203 shares

(Note) We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares has been consolidated into one (1) share effective as of October 1, 2017. Accordingly, the “number of issued shares,” “number of shares held as treasury stock” and “average number of shares during consolidated third quarter” have been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

*These quarterly financial statements are exempt from the review procedures.

*Cautionary Statement regarding Forecast of Business Results

(Cautionary note on forward-looking statements)

The forecast of business results is based on reasonable information we obtained as of the date hereof and, due to various risks, uncertainties and other factors arising in the future, actual results in the future may differ largely from the estimates set out in this document.

(Forecast of dividends and consolidated business results after share consolidation)

As approved at the 69th Ordinary General Meeting of Shareholders held on June 29, 2017, we have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares was consolidated into one (1) share effective as of October 1, 2017. The forecast of dividends and consolidated business results for the fiscal year ending March 31, 2018 before such share consolidation is taken into consideration are as follows:

- Forecast of dividends for the fiscal year ending March 31, 2018
 Interim dividend per share at the end of the second quarter: 18.00 yen (Note 1)
 Year-end dividend per share: 18.00 yen (Note 2)
- Forecast of consolidated business results for the fiscal year ending March 31, 2018
 Net income per share for the fiscal year ending March 31, 2018: 66.07 yen

(Note 1) The interim dividend at the end of the second quarter for the fiscal year ending March 31, 2018 shall be payable for the shares prior to the share consolidation.

(Note 2) The dividend amount is calculated before the share consolidation is taken into consideration.

(Note 3) Annual dividend amount per share for the fiscal year ending March 31, 2018 (before the share consolidation is taken into consideration) is 36.00 yen.

Table of Contents for Attached Materials

1.	Qualitative Information regarding Consolidated Performance during the Third Quarter -----	2
(1)	Qualitative Information regarding Consolidated Business Results -----	2
(2)	Qualitative Information regarding Consolidated Financial Condition -----	6
(3)	Qualitative Information regarding Forecast of Consolidated Business Results -----	7
2.	Consolidated Quarterly Financial Statements and Accompanying Notes -----	8
(1)	Consolidated Quarterly Balance Sheets -----	8
(2)	Consolidated Quarterly Statements of Income -----	10
(3)	Consolidated Quarterly Statements of Comprehensive Income -----	10
(4)	Consolidated Quarterly Statements of Cash Flows -----	11
(5)	Notes to Consolidated Quarterly Financial Statements -----	12
	(Notes on Going Concern) -----	12
	(Notes on Significant Changes in the Amount of Total Shareholders' Equity) -----	12
	(Changes in Accounting Policy) -----	12
	(Segment Information) -----	12
(6)	Status of Sales -----	13

1. Qualitative Information regarding Consolidated Performance during the Third Quarter

(1) Qualitative Information regarding Consolidated Business Results

(i) Performance Overview of the Nine Months ended December 31, 2017

During the current consolidated third quarter (from April 1, 2017 to December 31, 2017), the domestic economy showed signs of mild recovery as the employment environment continued to improve. The recovery of consumer spending, however, remained slow due to factors such as a slowdown in real income, which caused the consumers, concerned for their future social welfare, to remain budget-conscious. Similarly, the environment surrounding women's domestic innerwear market remained difficult, due to a slowdown in the recovery of consumer spending and due to a series of closings of general merchandise stores, although we were able to prevent a significant decline in results as a result of consumption by inbound tourists. In the overseas markets, consumer spending was stable in the United States, the employment environment continued to improve in the Eurozone area, despite the deep-rooted uncertainty underlying the Brexit in Europe, and no significant change was seen in the positive consumer sentiment in Europe and America. In China, real retail sales remained strong due to the better income environment, as well as the growing per capita disposable income.

In such an environment, our group continues to move forward with efforts to improve and strengthen our business structure toward achieving the objectives of our mid-term business plan. In our domestic business, we are making efforts to rebuild and strengthen sales force, to improve productivity, to realize omni-channel services that will achieve synergies with our wholesale business, to form core IT systems which will improve inventory efficiency, and to improve profitability by updating each of our brands and product groups. In our overseas business, we are continuing our initiatives to pursue business collaboration among Europe and America and Asian countries, strengthen our ability to respond to the e-commerce market, and improve product quality and cost competitiveness in China and ASEAN-member countries where our product supply bases are located.

Consolidated sales from our domestic business for the nine months ended December 31, 2017 fell by 2% from such sales for the corresponding period of the previous fiscal year due to a difficult environment for our wholesale business. Our consolidated sales from our overseas business exceeded such sales for the corresponding period of the previous fiscal year by 8% as a result of strong e-commerce sales and steady sales at the existing stores in Europe and America, and China. Overall consolidated sales, however, decreased slightly by 0.4% as compared to such sales for the corresponding period of the previous fiscal year due to a decrease in revenue from our Peach John and other business segments.

Consolidated operating income increased by 17% as compared to such consolidated operating income for the corresponding period of the previous fiscal year. Consolidated operating income improved significantly as a result of recognition of compensation income from leaving a factory space occupied by our subsidiary during the first quarter of the current fiscal year and the absence of non-recurring expenses related to the liquidation proceedings for our French subsidiary that we recorded for the corresponding period of the previous fiscal year, as well as our efforts to reduce selling, general and administrative expenses in Japan and the impact of increased revenue from our overseas business.

Consolidated income before income taxes and equity in net income of affiliated companies fell by 10% from such consolidated income for the corresponding period of the previous fiscal year, due to the absence of gain on sales of fixed assets (land) that we recorded for the first quarter of the previous fiscal year.

The key exchange rates used for the current consolidated third quarter were: 111.70 yen to the U.S. dollar; 145.75 yen to the Sterling pound; and 16.47 yen to the Chinese yuan.

Net sales:	148,416 million yen (a decrease of 0.4% as compared to the corresponding period of the previous fiscal year)
Operating income:	13,056 million yen (an increase of 16.8% as compared to the corresponding period of the previous fiscal year)
Income before income taxes and equity in net income of affiliated companies:	14,833 million yen (a decrease of 10.3% as compared to the corresponding period of the previous fiscal year)
Net income attributable to	9,868 million yen

Wacoal Holdings Corp.: (a decrease of 18.3% as compared to the corresponding period of the previous fiscal year)

(ii) Business Overview of Our Operating Segments

a. Wacoal Business (Domestic)

Wacoal Corp. reorganized its divisions, formerly called the Wacoal Brand Operation Division and Wing Brand Operation Division, into the Wacoal Brand Operation Division, which is responsible for planning and development of “Wacoal” brand products and wholesale business mainly with department stores and specialty store channels, and the Chain Store Operation Division, which is responsible for planning and development of “Wing” brand products and wholesale business with general merchandise stores.

Sales from our wholesale business, mainly composed of wholesale business from the Wacoal Brand Operation Division and the Chain Store Operation Division, decreased by 2% as compared to such sales for the corresponding period of the previous fiscal year. Over-the-counter sales at department stores remained at about the same level as such sales for the corresponding period of the previous fiscal year due to weak sales in the provincial cities of the Kanto and East Japan regions, although sales expanded significantly in Tokyo and the Osaka area as a result of consumption by inbound tourists. Although we have actively promoted renovations of our shops for “Dual W” that effectively brings together our Wacoal and Wing brands, achieved steady growth at our core shops, and expanded our share in the market, over-the-counter sales at general merchandise stores remained at about the same level as such sales for the corresponding period of the previous fiscal year due to poor sales of men’s innerwear products and the effect of a series of closings of stores in rural areas. Although sales of “GOCOCi,” our brassieres marketed for their comfort, are still growing after a year and half after its launch, its percentage of contribution to overall sales fell as the weather became cooler.

In our retail business, sales only increased slightly from such sales for the corresponding period of the previous fiscal year. Our cross-store common products among directly managed retail stores “BRANGENIC,” have grown to become our stable core product. While we continue to make efforts to retain a greater number of loyal customers through acquiring shop members for our core directly managed retail store, “AMPHI,” despite reducing discount sales, we prioritized improving business profitability by reducing the number of our lineup products and closing underperforming stores.

Sales from our wellness business fell by 2% as compared to such sales for the corresponding period of the previous fiscal year due to weak sales of our core “CW-X” brand products which were impacted by the termination of business with certain sport specialty stores.

In our Web sales business (formerly catalog sales business), sales from our webstore business increased by 14% as compared to such sales for the corresponding period of the previous fiscal year due to an expansion in the number of users as a result of marketing niche products such as “Minimizer” bras, as well as our efforts to recapture our inactive customers in our webstore business, along with our retail business. On the other hand, in our catalog sales business, the number of users and purchasers in our winter catalogue continued to show gradual decrease. As a result, overall sales from our Web sales business slightly increased by 1% as compared to such sales for the corresponding period of the previous fiscal year.

Sales from swimwear business of Ai Co., Ltd. decreased by 4% as compared to such sales for the corresponding period of the previous fiscal year. This was due to the impact of reducing the number of our seasonal stores opened only during a period of peak demand, while retaining temporary sales representatives became difficult. Sales from the underwear business were also weak and decreased by 14% as compared to such sales for the corresponding period of the previous fiscal year due to closure of underperforming stores, and as a result, overall sales decreased by 6% as compared to such sales for the corresponding period of the previous fiscal year.

As a result, sales attributable to our “Wacoal Business (Domestic)” segment decreased by 2% as compared to such sales for the corresponding period of the previous fiscal year.

Operating income was adversely impacted by increases in IT infrastructure related expenses, expenses related to changes in the health insurance premium rate, retirement benefit expenses and greater operating loss at Ai Co., Ltd., but we countered such negative factors with our efforts to improve business efficiency through restructuring of our wholesale business structure and to strengthen profitability of our retail business. In addition, as a result of recognition of compensation income from leaving a factory space occupied by our subsidiary during the first quarter of the current fiscal year, operating income increased by 17% from such operating income for the corresponding period of the previous fiscal year.

Net sales:	89,181 million yen (a decrease of 2.0% as compared to the corresponding period of the previous fiscal year)
Operating income:	8,443 million yen (an increase of 16.6% as compared to the corresponding period of the previous fiscal year)

b. Wacoal Business (Overseas)

Sales (on a local currency basis) of new products from Wacoal International Corp. (U.S.) for the autumn/winter season did not achieve the level of sales recorded for the corresponding period of the previous fiscal year, and growth in over-the-counter sales weakened. Further, sales were adversely impacted by the management of inventories by certain department stores and the EC companies specialized for e-commerce and by damage from a hurricane that caused distribution delays, resulting in a decrease of 3% for the third quarter (three months ended December 31, 2017) from such sales for the corresponding period of the previous fiscal year. Sales for the nine months ended December 31, 2017, however, increased by 5% as compared to such sales for the corresponding period of the previous fiscal year as a result of overall sales driven by e-commerce sales through our website and third-party e-commerce websites, which continue to show strong sales growth since the first half of the current fiscal year, as well as the initial product delivery from an increase in the number of department stores handling Wacoal brand products during the first quarter of the current fiscal year.

Operating income on a local currency basis significantly contributed to the business results for the first half of the current fiscal year due to a greater percentage of products sold at full price and an increase in the percentage of sales from our own e-commerce website, as well as an increase in the gross profit rate which decreased the percentage of manufacturing overhead as to cost. While we experienced a slowdown in sales during the third quarter of the current fiscal year, we continued to incur costs related to product listing advertisements and website renewal to strengthen e-commerce sales. As a result, operating income for the nine months ended December 31, 2017 increased by 18% as compared to such operating income for the corresponding period of the previous fiscal year.

While sales on a local currency basis (Sterling pound) for Wacoal Europe fell below such sales for the corresponding period of the previous fiscal year due to the effect of loss of sales that could have been recorded from the brands which were liquidated in France, sales in the major markets, including the United Kingdom and the United States were strong. Sales through third-party e-commerce websites which specialize in selling luxury lingerie were strong in the United Kingdom and the United States. Sales of our swimwear increased and showed high growth in North Europe, Germany and Australia, and sales were also grew as a result of the effect of the weak Sterling pound in the Eurozone area. In our underwear business, sales of our plus-size brand “elomi” products increased by 23% as compared to such sales for the corresponding period of the previous fiscal year, and continued to achieve high growth, and sales of our swimwear products under “FANTASIE” and “Freya” were also strong with an increase of 26% and 18%, respectively, and as a result, overall sales increased by 4% as compared to such sales for the corresponding period of the previous fiscal year.

Operating income improved over budget as a result of the absence of the non-recurring expenses related to the liquidation proceedings for our French subsidiary which we recorded during the corresponding period of the previous fiscal year, as well as of minimizing selling, general and administrative expenses following the postponement of our website renewal for e-commerce sales.

In China, as the consumers are becoming more sensitive to fashion trends, the number of purchasers increased due to the openings of specialty stores during China’s high-demand seasons such as the Chinese New Year, International Women’s Day and Mother’s Day during the first quarter of the current fiscal year. Further, we expanded sales channels through third-party e-commerce websites and actively held events for sales promotion during the second and third quarters of the current fiscal year. As a result, overall sales in China on a local currency basis increased by 11% from such sales for the corresponding period of the previous fiscal year due to sales of our Wacoal brand products, which increased by 11% from such sales for the corresponding period of the previous fiscal year, and due to sales of our Peach John brand products, including our popular product “Cover Cleavage Strapless” bras, which significantly increased by 59% from such sales for the corresponding period of the previous fiscal year, resulting from steady growth in the number of repeat users.

Operating income on a local currency basis increased by 29% as compared to such operating income for the corresponding period of the previous fiscal year due to our efforts to close underperforming stores, and to improve profitability by reducing selling, general and administrative expenses through postponement of certain store renovation projects.

As a result of the above, the overall sales and the operating income attributable to our “Wacoal Business (Overseas)” segment on the Japanese Yen basis increased by 8% and 38%, respectively, as compared to such sales and operating income for the corresponding period of the previous fiscal year.

Net sales:	39,340 million yen (an increase of 8.2% as compared to the corresponding period of the previous fiscal year)
Operating income:	3,933 million yen (an increase of 37.9% as compared to the corresponding period of the previous fiscal year)

c. Peach John Business

Although sales from retail stores of our premium themed “Salon by Peach John” showed a high growth with an increase of 36% as compared to such sales for the corresponding period of the previous fiscal year as a result of a positive impact of new shop openings, sales from our domestic business remained at about the same level as such sales for the corresponding period of the previous fiscal year as sales from retail stores of “Peach John” could not make up for the absence of strong sales of our popular product “Miracle Nudy” bras for the corresponding period of the previous fiscal year. Wholesale business, particularly the third-party e-commerce websites, also remained at about the same level as such sales for the corresponding period of the previous fiscal year due to a slowdown in sales during the third quarter of the current fiscal year, which showed the effect of poor sales of our seasonal autumn/winter campaign “Gift Bra.” Although average spending per customer increased, sales from our mail-order catalogue business decreased by 14% from such sales for the corresponding period of the previous fiscal year as our products failed to attract consumers’ attention, which led to a decrease in the number of users who visited our own e-commerce website. Sales from our overseas business were strong as demonstrated by the sales from Taiwan Peach John Ltd., which, after commencing operations in May, significantly exceeded sales budgeted for retail stores and were twice the sales budgeted for our own e-commerce website. As a result, overall sales attributable to “Peach John Business” segment fell, decreasing by 4% from such sales for the corresponding period of the previous fiscal year.

Despite a decrease in revenue, we maintained operating income at about the same level as such operating income for the corresponding period of the previous fiscal year as a result of an improvement in the gross profit rate due to a greater percentage of our innerwear products sold at full price in the domestic market, and our efforts to reduce advertising expenses, as well as an improvement in profitability of our Chinese business resulting from sales expansion.

Net sales:	8,098 million yen (a decrease of 4.2% as compared to the corresponding period of the previous fiscal year)
Operating income:	512 million yen (a decrease of 0.2% as compared to the corresponding period of the previous fiscal year)

d. Other

With respect to Lecien Corporation (“Lecien”), sales from our art & hobby business remained at about the same level as such sales for the corresponding period of the previous fiscal year due to steady sales of handcraft products, including embroidery, with the expansion of the C2C market, despite weak sales of sewing fabrics. However, sales from our core innerwear business decreased by 14% as compared to such sales for the corresponding period of the previous fiscal year as the number of orders received for our private brand products for sale at major general merchandise stores decreased, and sales from our material business decreased by 18% as compared to such sales for the corresponding period of the previous fiscal year due to a decrease in demand for garment laces. Further, sales from our apparel business significantly decreased by 55% as compared to such sales for the corresponding period of the previous fiscal year due to the withdrawal of our private brand business sold at major general merchandise stores and the impact of weak sales from teleshopping. As a result, overall sales decreased by 19% as compared to such sales for the corresponding period of the previous fiscal year.

Operating income decreased by 89% as compared to such operating income for the corresponding period of the previous fiscal year due to a drop in sales profit resulting from decreased revenue, despite our efforts to reduce selling, general and administrative expenses.

Sales from Nanasai Co., Ltd. (“Nanasai”) remained weak as no sign of recovery was seen in the business

confidence in the clothing industry and due to a decrease in the number of large-scale orders received from our valued clients, including department stores. A sign of recovery was seen in demand for short-term leases for specialty stores at department stores as we entered the third quarter of the current fiscal year, and as a result, we were able to maintain sales from rental business at about the same level as such sales for the corresponding period of the previous fiscal year. Sales from both sales business and construction business were weak and decreased by 9% and 10%, respectively, as compared to such sales for the corresponding period of the previous fiscal year due to the absence of large-scale orders received during the corresponding period of the previous fiscal year. As a result, overall sales decreased by 8% from such sales for the corresponding period of the previous fiscal year.

With respect to operating income, we recorded income, rather than a loss that we recorded for the corresponding period of the previous fiscal year, due to cost rate improvement in our rental business and an improvement in the gross profit rate from a decrease in the percentage of sales from our construction business

As a result of the above, overall sales and operating income attributable to our “Other” segment decreased by 11% and 70%, respectively, as compared to the corresponding period of the previous fiscal year.

Net sales:	11,797 million yen (a decrease of 10.6% as compared to the corresponding period of the previous fiscal year)
Operating income:	168 million yen (a decrease of 70.3% as compared to the corresponding period of the previous fiscal year)

(2) Qualitative Information regarding Consolidated Financial Condition

(i) Assets, Liabilities and Total Shareholders' Equity

Our total assets as of the end of the current consolidated third quarter were 301,982 million yen, an increase of 7,024 million yen from the end of the previous fiscal year, mainly due to an increase in investments at market value.

Our total liabilities were 61,101 million yen, a decrease of 1,375 million yen from the end of the previous fiscal year, due to decreases in other payables and accrued payroll and bonuses.

Total Wacoal Holdings Corp. shareholders' equity was 235,975 million yen, an increase of 8,407 million yen from the end of the previous fiscal year, due to increases in retained earnings and unrealized gain on securities.

As a result of the above, our total shareholders' equity ratio as of the end of the current consolidated third quarter was 78.1%, an increase of 0.9% from the end of the previous fiscal year.

(ii) Cash Flows

Cash and cash equivalents as of the end of the consolidated third quarter of the current fiscal year were 31,663 million yen, a decrease of 2,332 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 13,923 million yen, a decrease of 2,828 million yen as compared to the corresponding period of the previous fiscal year, after adjustments for changes in assets and liabilities to our net income of 9,913 million yen plus adjustments for depreciation, amortization and deferred income taxes.

(Cash Flow Used in Investing Activities)

Cash flow used in investing activities was 4,652 million yen, an increase of 3,474 million yen as compared to the corresponding period of the previous fiscal year, due to increases in time deposits and capital expenditures.

(Cash Flow Used in Financing Activities)

Cash flow used in financing activities was 11,967 million yen, an increase of 3,193 million yen as compared to the corresponding period of the previous fiscal year, due to cash dividend payments and repurchase of treasury stock.

(3) Qualitative Information regarding Forecast of Consolidated Business Results

We have not revised our forecast of consolidated business results for the fiscal year ending March 31, 2018 since our announcement on May 10, 2017.

2. Consolidated Quarterly Financial Statements and Accompanying Notes

(1) Consolidated Quarterly Balance Sheets

Accounts	Previous Fiscal Year as of March 31, 2017	Current Consolidated Third Quarter as of December 31, 2017	Increase/(Decrease)
(Assets)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current assets:			
Cash and cash equivalents	33,995	31,663	(2,332)
Time deposits	2,722	3,889	1,167
Marketable securities	1,457	1,418	(39)
Notes and accounts receivable	25,563	22,912	(2,651)
Allowance for returns and doubtful receivables	(2,477)	(2,845)	(368)
Inventories	43,822	44,502	680
Deferred income taxes	4,049	-	(4,049)
Other current assets	4,683	5,046	363
Total current assets	113,814	106,585	(7,229)
II. Property, plant and equipment:			
Land	21,555	21,587	32
Buildings and structures	72,664	73,378	714
Machinery and equipment	17,722	18,503	781
Construction in progress	<u>274</u>	<u>337</u>	<u>63</u>
	112,215	113,805	1,590
Accumulated depreciation	(56,927)	(59,156)	(2,229)
Net property, plant and equipment	55,288	54,649	(639)
III. Other assets:			
Investments in affiliated companies	20,868	22,089	1,221
Investments	59,847	71,385	11,538
Goodwill	16,071	17,051	980
Other intangible assets	11,849	12,519	670
Prepaid pension expense	10,287	10,633	346
Deferred income taxes	1,060	1,272	212
Other	5,874	5,799	(75)
Total other assets	125,856	140,748	14,892
Total assets	294,958	301,982	7,024

Accounts	Previous Fiscal Year as of March 31, 2017	Current Consolidated Third Quarter as of December 31, 2017	Increase/(Decrease)
(Liabilities)	Millions of Yen	Millions of Yen	Millions of Yen
I. Current liabilities:			
Short-term bank loans	7,716	7,484	(232)
Notes and accounts payable:			
Trade notes payable	1,438	1,456	18
Trade accounts payable	11,605	10,943	(662)
Other payables	<u>6,185</u>	<u>4,846</u>	<u>(1,339)</u>
	19,228	17,245	(1,983)
Accrued payroll and bonuses	7,093	5,516	(1,577)
Income taxes payable	2,964	2,527	(437)
Other current liabilities	4,058	5,871	1,813
Total current liabilities	41,059	38,643	(2,416)
II. Long-term liabilities:			
Liability for termination and retirement benefits	1,956	1,916	(40)
Deferred income taxes	17,862	18,172	310
Other long-term liabilities	1,599	2,370	771
Total long-term liabilities	21,417	22,458	1,041
Total liabilities	62,476	61,101	(1,375)
(Equity)			
I. Common stock	13,260	13,260	-
II. Additional paid-in capital	29,707	29,758	51
III. Retained earnings	170,062	172,544	2,482
IV. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	1,212	3,645	2,433
Unrealized gain on securities	21,075	28,670	7,595
Pension liability adjustments	(414)	(561)	(147)
V. Treasury stock, at cost	(7,334)	(11,341)	(4,007)
Total Wacoal Holdings Corp. shareholders' equity	227,568	235,975	8,407
VI. Noncontrolling interests	4,914	4,906	(8)
Total equity	232,482	240,881	8,399
Total liabilities and equity	294,958	301,982	7,024

(2) Consolidated Quarterly Statements of Income

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2016 to December 31, 2016)		Current Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)		Increase/ (Decrease) Millions of Yen
	Millions of Yen	%	Millions of Yen	%	
I. Net Sales	149,019	100.0	148,416	100.0	(603)
II. Operating costs and expenses					
Cost of sales	69,277	46.5	68,245	46.0	(1,032)
Selling, general and administrative expenses	68,567	46.0	67,823	45.7	(744)
Compensation income	-		(708)	(0.5)	(708)
Total operating costs and expenses	137,844	92.5	135,360	91.2	(2,484)
Operating income	11,175	7.5	13,056	8.8	1,881
III. Other income (expenses):					
Interest income	102		135		33
Interest expense	(25)		(10)		15
Dividend income	1,127		1,267		140
Gain or loss on sales or exchange of marketable securities and investments - net	458		203		(255)
Valuation loss on marketable securities and investments - net	(2)		4		6
Gain on sale of property, plant and equipment	3,770		-		(3,770)
Other - net	(62)		178		240
Total other income (expenses)	5,368	3.6	1,777	1.2	(3,591)
Income before income taxes and equity in net income of affiliated companies	16,543	11.1	14,833	10.0	(1,710)
Income taxes	5,556	3.7	5,746	3.9	190
Income before equity in net income of affiliated companies	10,987	7.4	9,087	6.1	(1,900)
Equity in net income of affiliated companies	1,252	0.8	826	0.6	(426)
Net income	12,239	8.2	9,913	6.7	(2,326)
Net income attributable to noncontrolling interests	(154)	(0.1)	(45)	(0.1)	109
Net income attributable to Wacoal Holdings Corp.	12,085	8.1	9,868	6.6	(2,217)

(3) Consolidated Quarterly Statements of Comprehensive Income

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2016 to December 31, 2016)	Current Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)	Increase/(Decrease) Millions of Yen
	Millions of Yen	Millions of Yen	
I. Net income	12,239	9,913	(2,326)
II. Other comprehensive income (loss) - net of tax:			
Foreign currency translation adjustments	(5,186)	2,485	7,671
Unrealized gain (loss) on securities	2,921	7,598	4,677
Pension liability adjustments	(140)	(147)	(7)
Other comprehensive income (loss)	(2,405)	9,936	12,341
Comprehensive income (loss)	9,834	19,849	10,015
Comprehensive loss (income) attributable to noncontrolling interests	249	(100)	(349)
Comprehensive income (loss) attributable to Wacoal Holdings Corp.	10,083	19,749	9,666

(4) Consolidated Quarterly Statements of Cash Flows

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2016 to December 31, 2016)	Current Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)
	Millions of Yen	Millions of Yen
I. Operating activities		
1. Net income	12,239	9,913
2. Adjustments to reconcile net income to net cash provided by operating activities		
(1) Depreciation and amortization	3,686	4,033
(2) Allowance for returns and doubtful receivables - net	459	349
(3) Deferred income taxes	118	762
(4) Gain on sales or disposal of property, plant and equipment - net	(3,575)	67
(5) Compensation income	-	(708)
(6) Gain on sales or exchange of marketable securities and investments - net	(458)	(203)
(7) Valuation loss on marketable securities and investments - net	2	(4)
(8) Equity in net income of affiliated companies, less dividends received	(751)	(330)
(9) Changes in assets and liabilities		
Decrease in notes and receivable	3,237	2,867
Increase in inventories	(274)	(434)
Decrease (increase) in other current assets	1,312	(368)
Decrease in notes and accounts payable	(1,352)	(1,894)
Decrease in liability for termination and retirement benefits	(515)	(615)
Increase in other liabilities	2,303	450
(10) Other	320	38
Net cash provided by operating activities	16,751	13,923
II. Investing activities		
1. Increase in time deposits	(2,456)	(4,158)
2. Decrease in time deposits	2,165	3,026
3. Proceeds from sales and redemption of marketable securities	692	720
4. Payments to acquire marketable securities	(295)	(113)
5. Proceeds from sales of property, plant and equipment	3,553	161
6. Compensation income	-	708
7. Capital expenditures	(3,905)	(2,422)
8. Payments to acquire intangible assets	(1,371)	(1,450)
9. Proceeds from sales of other investments	833	134
10. Payments to acquire other investments	(272)	(1,289)
11. Other	(122)	31
Net cash used in investing activities	(1,178)	(4,652)
III. Financing activities		
1. Net increase in short-term bank loans with original maturities of three months or less	(1,391)	(431)
2. Proceeds from issuance of long-term debt	250	-
3. Repayment of long-term debt	(293)	(35)
4. Repurchase of treasury stock	(2,548)	(4,007)
5. Dividends paid on common stock	(4,648)	(7,386)
6. Dividends paid to noncontrolling interests	(167)	(194)
7. Other	23	86
Net cash used in financing activities	(8,774)	(11,967)
IV. Effect of exchange rate changes on cash and cash equivalents	48	364
V. Net (decrease) increase in cash and cash equivalents	6,847	(2,332)
VI. Cash and cash equivalents, beginning of period	34,059	33,995
VII. Cash and cash equivalents, end of period	40,906	31,663

Additional Cash Flow Information

Cash paid for:		
Interest	25	11
Income taxes	2,254	5,424
Noncash investing activities		
Acquisition of fixed assets by assuming payment obligation	958	562

(5) Notes to Consolidated Quarterly Financial Statements

(Notes on Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Total Shareholders' Equity)

During the current consolidated cumulative third quarter, we purchased 1,241 thousand shares of treasury stock through market for an aggregate purchase price of 3,998 million yen. As a result, balance of treasury stock as of the end of the current consolidated third quarter was 11,341 million yen, an increase of 4,007 million yen from the end of previous fiscal year.

(Changes in Accounting Policy)

New accounting guidance has been adopted for the balance sheet classification of deferred taxes from the current fiscal year. The new guidance requires deferred tax assets and liabilities to be classified as noncurrent on the consolidated balance sheet. The new accounting guidance has not been applied retrospectively for the financial statements for the prior periods. The amount of current deferred tax assets as of the end of the previous fiscal year was 4,049 million yen.

(Segment Information)

(i) Operating Segment Information

Previous Consolidated Cumulative Third Quarter (From April 1, 2016 to December 31, 2016)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	91,018	36,355	8,450	13,196	149,019	-	149,019
(2) Intersegment	908	7,490	754	4,422	13,574	(13,574)	-
Total	91,926	43,845	9,204	17,618	162,593	(13,574)	149,019
Operating income	7,243	2,853	513	566	11,175	-	11,175

Current Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)

(Millions of Yen)

	Wacoal business (Domestic)	Wacoal business (Overseas)	Peach John business	Other	Total	Elimination	Consolidated
Net sales							
(1) External customers	89,181	39,340	8,098	11,797	148,416	-	148,416
(2) Intersegment	833	8,127	1,000	3,921	13,881	(13,881)	-
Total	90,014	47,467	9,098	15,718	162,297	(13,881)	148,416
Operating income	8,443	3,933	512	168	13,056	-	13,056

(Note) Core products of respective businesses:

Wacoal business (Domestic): innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, hosiery, etc.

Wacoal business (Overseas): innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear, hosiery, other textile-related products, etc.

Peach John business: innerwear (foundation, lingerie, and nightwear), outerwear, and other textile-related products, etc.

Other: innerwear (foundation, lingerie, nightwear and children's innerwear), outerwear, other textile-related products, mannequins, construction of stores and interior design, etc.

(ii) Segment Information by Region

Previous Consolidated Cumulative Third Quarter (From April 1, 2016 to December 31, 2016)

(Millions of Yen)

	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	112,367	14,477	22,175	149,019
Distribution ratio	75.4%	9.7%	14.9%	100.0%
Operating income	8,072	1,893	1,210	11,175

Current Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)

(Millions of Yen)

	Japan	Asia/Oceania	Europe/N.A.	Consolidated
Net sales				
External customers	108,698	15,632	24,086	148,416
Distribution ratio	73.3%	10.5%	16.2%	100.0%
Operating income	9,007	1,597	2,452	13,056

- (Note)
1. Countries or areas are classified according to geographical proximity.
 2. Main countries and areas belonging to classifications other than Japan:
Asia/Oceania: various countries of East Asia, Southeast Asia and West Asia, and Australia
Europe/N.A.: North America and European countries
 3. Sales in respect of consolidated companies are categorized by location.

(6) Status of Sales

Type of product		Previous Consolidated Cumulative Third Quarter (From April 1, 2016 to December 31, 2016)		Current Consolidated Cumulative Third Quarter (From April 1, 2017 to December 31, 2017)		Increase/(Decrease)	
		Amount	Distribution Ratio	Amount	Distribution Ratio	Amount	Ratio
Innerwear	Foundation and lingerie	Millions of Yen 110,589	% 74.2	Millions of Yen 112,031	% 75.5	Millions of Yen 1,442	% 1.3
	Nightwear	7,233	4.9	6,980	4.7	(253)	(3.5)
	Children's underwear	1,151	0.8	1,108	0.7	(43)	(3.7)
	Subtotal	118,973	79.9	120,119	80.9	1,146	1.0
Outerwear/Sportswear		13,467	9.0	12,560	8.5	(907)	(6.7)
Hosiery		1,724	1.2	1,515	1.0	(209)	(12.1)
Other textile goods and related products		7,032	4.7	6,502	4.4	(530)	(7.5)
Other		7,823	5.2	7,720	5.2	(103)	(1.3)
Total		149,019	100.0	148,416	100.0	(603)	(0.4)